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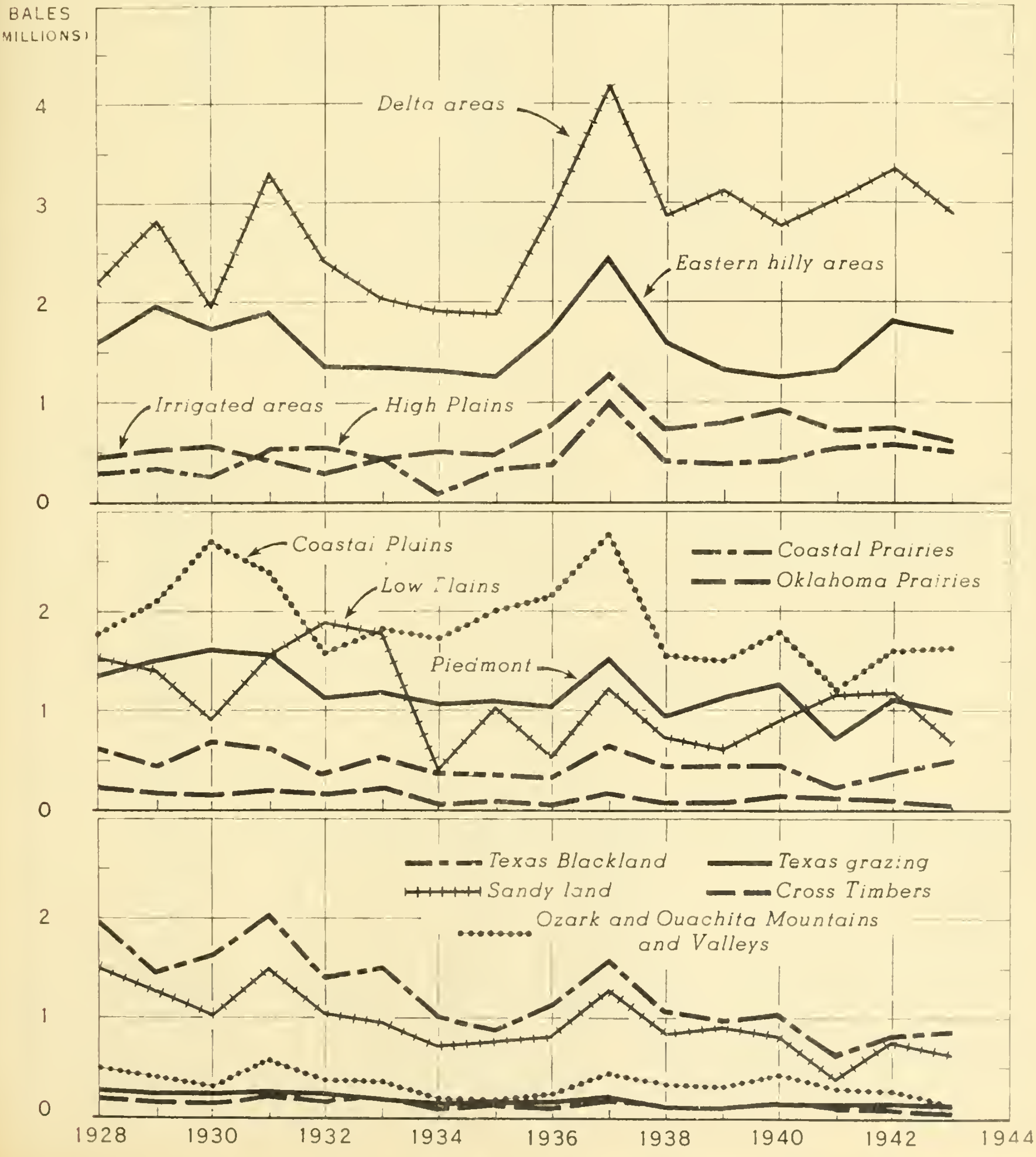
U. S. DEPARTMENT OF AGRICULTURE

# THE Cotton SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

CS - 97 BAE DECEMBER 1944

## COTTON PRODUCTION TRENDS BY PRODUCTION AREAS, UNITED STATES, 1928-43



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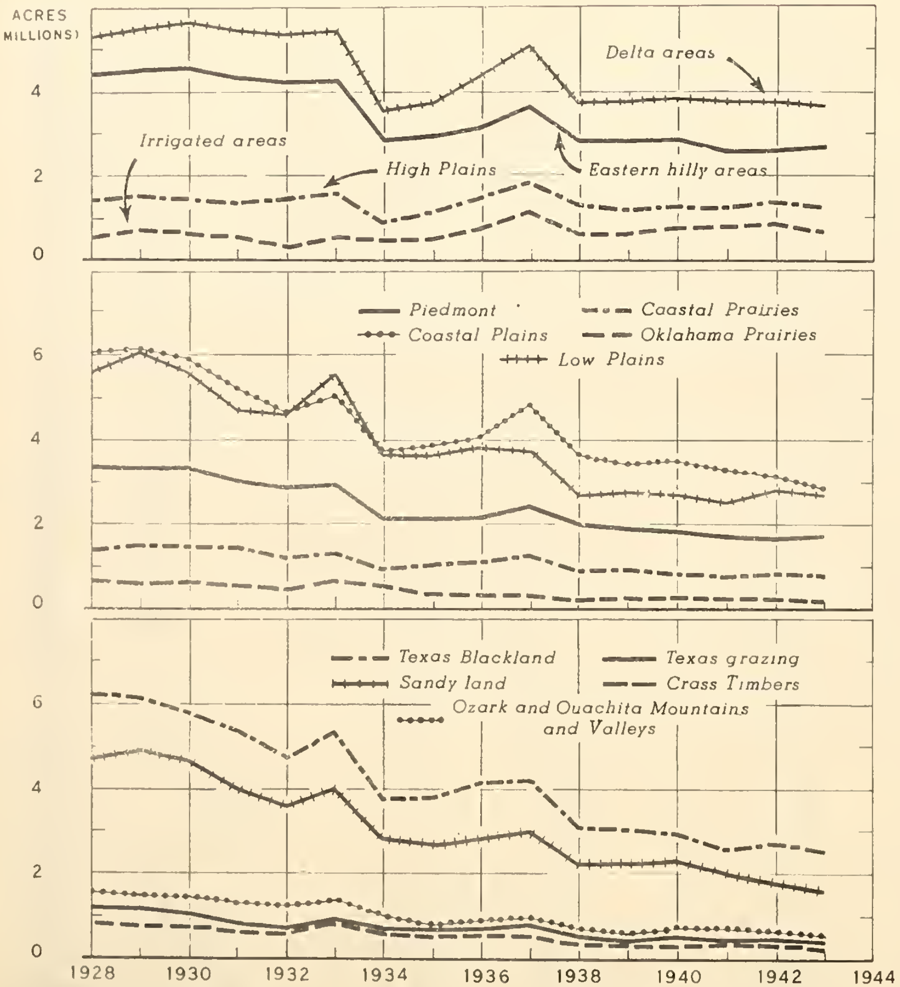
COTTON ACREAGE TRENDS BY PRODUCTION AREAS, UNITED STATES 1928-43



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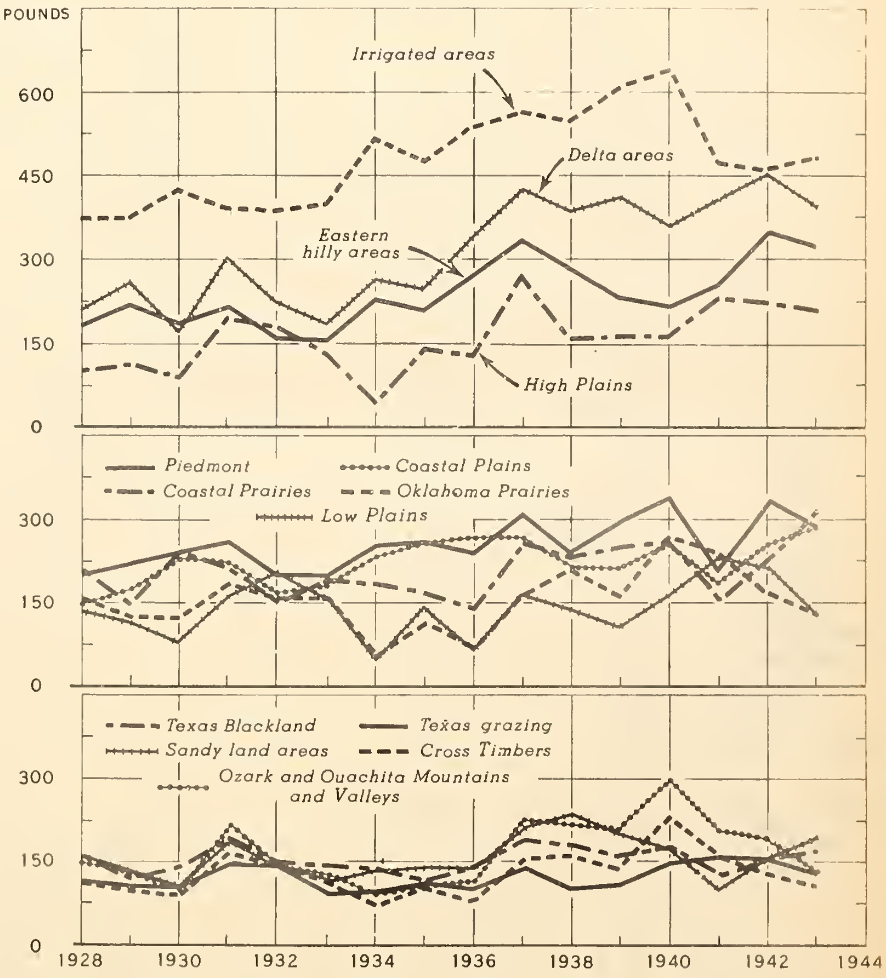
COTTON YIELD TRENDS BY PRODUCTION AREAS, UNITED STATES, 1928-43



U. S DEPARTMENT OF AGRICULTURE

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# THE COTTON SITUATION

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-- December 18, 1944

## THE DOMESTIC COTTON SITUATION

### Prices Weaken very Slightly Parity Advances

Cotton prices weakened very slightly this month. During the month ended December 15, the 10-market price of Middling 15/16-inch cotton averaged 21.43 cents per pound, or 2 points lower than during the preceding monthly period.

The parity price of cotton advanced to 21.20 cents per pound in November, after having held at 21.08 cents since June. The mid-month price received by farmers was 20.78 cents in November, or 2 percent below parity.

### Export Sales Program

Between November 15 and December 18 a total of 58,303 bales of cotton was reported to the Commodity Credit Corporation as having been registered for sale under the export program which became effective November 15.

The announcement of the export differential of 4 cents per pound appears to have little effect on the price of foreign growths in their respective export markets. For example, the price of Brazilian cotton (Type 5) at Sao Paulo averaged 14.42 cents per pound for the first 4 Fridays following the announcement of the export differential, or only 27 points less than the average for the 4 preceding Fridays. Type "B" cotton at Buenos Aires increased from 14.52 cents in the "pre-announcement" period to 14.59 cents in the subsequent period. Tanguis, Type 5, at Lima advanced from 15.40 cents to 15.47

cents, and Middling 15/16-inch at Torreon, Mexico, declined from 18.22 cents to 18.00 cents.

### Consumption Rises in November; Equivalent to Nearly 10 Million Bales per Year

Mill consumption of cotton totaled 836,541 bales during November. Consumption per working-day was 3 percent smaller this November than last, and the consumption from August through November was 5 percent smaller this year than last. The November daily rate was equivalent to an annual rate of 9,964,000 bales, the highest of any month since last April. This annual rate compares with an August-November annual rate of 9,643,000 bales, and an actual consumption last season of 9,942,000 bales.

### December Cotton Report Places 1944 Yield at 295.3 Pounds Per Acre

According to the December report of the Crop Reporting Board, the 1944 yield of cotton is officially estimated at 295.3 pounds per acre. This yield exceeds the previous record established in 1942 by 22.9 pounds and the 1933-42 average yield by 68.4 pounds, or 30 percent.

This record high yield was obtained on a harvested acreage of 20,098,000 acres, the smallest of any year's since 1895 and 24 percent less than the 1933-42 average. The net effect of this reduced acreage and record yield is a crop of 12,359,000 bales, 500 pounds gross weight. This production compares with 11,427,000 bales last season and a 1933-42 average of 12,455,000 bales.

Six States established new record yields in 1944. They were Alabama and Georgia, where the previous records were established in 1937; North Carolina, where the previous record was established in 1940; and Arkansas, Mississippi, and Virginia, where the previous records occurred in 1942. In only 3 States, Texas, Oklahoma, and Florida, where the record yields were established in 1866, 1898, and 1930, respectively, was the all-time record yield established prior to 1939. The record yields in the other 7 States were established as follows: Louisiana, 1943; Tennessee, 1941; South Carolina, New Mexico, and California, 1940; and Missouri and Arizona, 1939.

### 1945 Suggested Acreage Goal Provides for About Same Acreage of Cotton as in 1944

The suggested 1945 acreage goal provides for no change in total United States acreage in cotton next year from that estimated by the Crop Reporting Board on July 8 as having been in cultivation on July 1, 1944. This was also true for 4 individual States, North Carolina, South Carolina, Missouri, and Arizona. However, the acreage in cotton in cultivation on July 1 was revised on December 8 for all States except California with the result that the suggested acreage goal for 1945 is slightly different from the acreages produced in 1944 in each of the cotton-growing States. Compared with the revised 1944 acreages, the 1945 goals provide for increases of 8 percent in Mississippi, 7 percent in Tennessee, 6 percent in Georgia, 5 percent in Alabama, 4 percent in North Carolina, and 2 percent in Louisiana and South Carolina; and decrease of 1 percent in Oklahoma, and Arizona, 2 percent in Texas, 3 percent in Arkansas, 6 percent in Virginia, 8 percent in Missouri, 9 percent in Florida, 12 percent in New Mexico, and 13 percent in California.

Compared with the average acreage from 1938-42, the 1945 goals call for reductions in all States except Tennessee as follows: Mississippi, 1 percent, North Carolina, 4 percent; South Carolina, Missouri, and New Mexico, 10 percent; Louisiana, 15 percent; Oklahoma, 16 percent; Texas, 17 percent; Arkansas, 18 percent; Virginia, 19 percent; Alabama, 23 percent; Georgia and California, 25 percent; Arizona, 36 percent; and Florida, 57 percent.

## COTTON CONFERENCE

An industry-wide cotton conference was called by the Special Committee on Post-War Farm Programs of the House Agriculture Committee. During the conference, which convened December 4, 1944, testimony was given by spokesmen for various State and Federal agencies, The National Cotton Council, producer groups, seed breeders, ginners, crushers, warehousemen, merchants and shippers, cooperative marketing associations, manufacturers, textile employees, railroads, bankers, exchanges, and consumer groups. Following the conclusion of the testimony on Friday, December 8 the following day was devoted to an off-the-reocrd executive session. At the conclusion of the conference, resolutions directed to the House Agriculture Committee were formulated.

In the following summary, areas of agreement are outlined and the range of views on areas where there was a divergence of opinion is indicated;

### Points of agreement

Points on which those appearing before the Committee generally agreed were:

(1) Returns (income or price) to farmers are too low.

(2) Whatever post-war program is adopted, transitional measures to support returns to farmers will be required.

(3) The Soil Conservation program should be continued and expanded.

(4) There is need for continuation and further expansion of research to strengthen the position of cotton as a competitor with synthetics and to extend its use.

### Points where agreement was lacking

Points on which there was considerable divergence of opinion included the following:

(1) Supply and distribution.--Some witnesses suggested the necessity of eventually shrinking domestic cotton production to a level commensurate with domestic consumption, thereby withdrawing entirely from the export market. Others argued that a minimum crop of 12 million bales of cotton per year was a prerequisite to a healthy domestic cotton economy, while still others advocated unrestricted production. Most witnesses expressed a belief that not over 8 million bales or so would be consumed domestically, and then only if something approaching full employment is maintained, and prices are kept competitive with rayon.

(2) Prices.--Many of those who testified were in favor of abandoning price-supporting measures and letting the price of cotton go to a free world-market basis. They did agree to some compensation to farmers in the form of price or income payments in a transitional stage. Most of them considered that, in the long run, cotton should stand on its own feet. Others were fearful of

letting the price go to a free-world-market basis. They doubted that sufficient funds would be obtainable to insure farmers comparable returns.

Most of those who were fearful of letting all prices go to a world-market basis, favored either a two-price system by which a price might be obtained from the domestic market higher than that in the foreign market or a high domestic price coupled with an export subsidy. Some of those favoring a higher price for domestically consumed cotton would allow unlimited production for export. Among these there was considerable diversity of opinion as to what should be the price-goal on the domestic market. Some recognized that the competition from synthetics called for price concessions on cotton. Some would reduce the price of cotton to a competitive basis with synthetics, and make up the difference between that price and parity in the form of parity payments. There was also a suggestion that lower prices might be made for lower uses to compete with paper bags, etc. Others would subsidize consumption in the lower uses rather than make price concessions.

(3) Parity.--While all agreed that the returns to farmers were too low, there was disagreement as to how this was to be measured. Some considered a parity price as the best standard of measurement since it is commonly used and generally understood. Others noted that the financial condition of the farmer is determined by his income rather than by the price of any one product, and that income is determined by the quantity producted and sold as well as by the price. This becomes a vital point in considering curtailment of production. One group suggested the extension of minimum wages to agriculture and the use of the minimum wage rate as a factor in parity.

(4) Production control.--Some objected to any form of production control and, particularly, acreage control. Others would accept, especially for the transitional period some control that might be required for disposal of accumulated surpluses. The objection to acreage control was based primarily on the difference in conditions between areas in which yields per acre may be increased considerably, and those areas in which conditions do not permit significant increases in yields by the use of fertilizers and other methods of intensification. Although some raised the question of whether or not American cotton should entirely give up the export market, none expressed a willingness to see the acreage reduced below present levels.

(5) Mechanization.--While no one objected to the development of mechanization, some doubt was expressed as to its probable significance in reducing the costs of production--at least until further technological improvements have been made and the use of labor-saving machinery becomes much more wide-spread. There was some concern as to its effect upon the marginal producers. Some felt that lowered production costs would enable American cotton to compete in the world market without sacrificing returns to producers, while others felt that prices should be maintained even though costs were reduced by mechanization.

(6) Reducing costs of production, processing and distribution.--It was generally assumed that producers should, of course, do all they could to reduce costs of production, but some objected to the strong emphasis placed by others upon this approach to improving returns to farmers. It was pointed

out that the price of the raw cotton was a comparatively small item in the production of many goods, and that much more important opportunities of obtaining reductions lay in the fields of processing and distribution.

Some thought that a significant contribution to improving returns to farmers could be made through reducing the costs of distributing raw cotton and products manufactured therefrom. Others pointed out that, since one of the most important points of competition is at the raw material level, there are very real limits to what can be accomplished in the way of improving the competitive position of cotton by reducing these costs. Some opportunities for reducing costs of distributing cotton and cotton goods were acknowledged, and this would have some effect upon the ultimate consumer's takings of cotton goods in competition with other goods.

(7) Alternative employment.--It was generally assumed that both mechanization and adjusting production to market requirements would reduce demands for labor on Southern farms, with the result that opportunities for alternative employment could be developed in the South.

(8) Export subsidy.--Few if any supported the continuation on a permanent basis of the measure recently taken to sell some cotton on a world-market basis, although they granted the need for some such arrangement for moving American cotton into the export market as long as high commodity loans hold prices in the United States above the world market level, many considered the present program to be a subsidy and were strongly opposed to subsidizing exports. One group supported the use of export debentures. Several proposed some form of a two-price system by which the cotton sold on the domestic market would bring a parity return, while that sold on the export market would go at world-market prices. Some witnesses suggested that there would be less objection to parity payments to farmers than to a two-price system or export subsidy. They contended that if consumption of some of our cotton should be subsidized, it would be better to give the American public, rather than the foreign consumers, the benefit of the lower price.

(9) The tariff.--Many expressed the view that a downward revision of and readjustments in the tariff structure could be of significant aid to the export market for cotton. No one advocated the immediate abandonment of all protective duties. Adjustments in the form of reductions in the duties on some items were advocated by several. Opinion was divided on the effectiveness of reciprocal trade agreements.

(10) An international cotton agreement.--Some were favorable to an international agreement as a means of inducing foreign producers to concur in an apportioning of the export market as a means of giving each exporting country a fair share of the total market, and of preventing cut-throat competition. Others, on the other hand, argued that such an agreement would make no contribution to dealing with the problem arising from the increased production of synthetics at home or abroad. Doubt was also indicated as to whether agreement could be reached with other countries for sharing the export market.

Table 1.- Cotton: 1945 acreage goal and related data, by States 1/

| State | 1938-42 average planted acreage | 1943 Goal | 1943 Actual planted acreage | 1944 Suggested goal | 1944 Goal | 1945 Actual planted acreage | 1945 Suggested goal | 1945 Goal | 1945 Goal as percentage of 1938-42 average | 1945 Goal as percentage of 1944 goal | 1945 Goal as percentage of 1944 actual | 1945 Goal as percentage of 1945 suggested |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
|  | 1,000 acres | 1,000 acres | 1,000 acres | 1,000 acres | 1,000 acres | 1,000 acres | 1,000 acres | 1,000 acres | per-cent | per-cent | per-cent | per-cent |
| Ala. | 1,946 | 1,600 | 1,627 | 1,585 | 1,585 | 1,429 | 1,500 | 1,500 | 77 | 95 | 105 | 100 |
| Ariz. | 228 | 270 | 205 | 190 | 180 | 148 | 147 | 147 | 64 | 82 | 99 | 100 |
| Ark. | 2,124 | 2,070 | 1,908 | 2,000 | 2,000 | 1,801 | 1,750 | 1,750 | 82 | 88 | 97 | 100 |
| Calif. | 353 | 360 | 287 | 252 | 265 | 303 | 285 | 265 | 75 | 100 | 87 | 93 |
| Fla. | 69 | 40 | 47 | 46 | 46 | 33 | 35 | 30 | 43 | 65 | 91 | 86 |
| Ga. | 1,927 | 1,600 | 1,617 | 1,512 | 1,512 | 1,368 | 1,450 | 1,450 | 75 | 96 | 106 | 100 |
| La. | 1,118 | 1,080 | 1,009 | 1,029 | 1,029 | 927 | 950 | 950 | 85 | 92 | 102 | 100 |
| Miss. | 2,568 | 2,490 | 2,482 | 2,530 | 2,630 | 2,367 | 2,550 | 2,550 | 99 | 97 | 108 | 100 |
| Mo. | 400 | 395 | 377 | 424 | 424 | 391 | 350 | 360 | 90 | 85 | 92 | 103 |
| N. Mex. | 112 | 130 | 115 | 96 | 96 | 115 | 101 | 101 | 90 | 105 | 88 | 100 |
| N. C. | 830 | 790 | 850 | 831 | 865 | 767 | 800 | 800 | 96 | 92 | 104 | 100 |
| Okla. | 1,818 | 1,735 | 1,580 | 1,600 | 1,600 | 1,531 | 1,520 | 1,520 | 84 | 95 | 99 | 100 |
| S. C. | 1,233 | 1,235 | 1,148 | 1,155 | 1,155 | 1,093 | 1,110 | 1,110 | 90 | 96 | 102 | 100 |
| Tenn. | 724 | 695 | 723 | 751 | 792 | 679 | 675 | 725 | 100 | 92 | 107 | 107 |
| Tex. | 8,692 | 7,940 | 8,123 | 7,951 | 8,050 | 7,354 | 7,200 | 7,200 | 83 | 89 | 98 | 100 |
| Va. | 37 | 40 | 35 | 28 | 28 | 32 | 30 | 30 | 81 | 107 | 94 | 100 |
| Other States | 21 | 20 | 18 | 20 | 20 | 18 | 19 | 19 | 90 | 95 | 106 | 100 |
| U. S. | 24,201 2/ | 22,490 | 22,151 | 22,000 | 22,277 | 20,356 | 20,472 | 20,507 | 85 | 92 | 101 | 100 |

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1/ All acreages as of July 1.

2/ Excludes 10,000 acres of Sea Island cotton for which no State break-down was made.

Table 2.- Cotton, American, foreign, and all kinds: World supply and consumption, 1934-38 average, annual 1939-44 1/

| Year beginning August | Supply | | | | | Mill consumption 2/ | | |
|---|---|---|---|---|---|---|---|---|
| | Carry-over August 1 | | | World production | World total | United States | Foreign countries | World total |
| | United States | Foreign countries | World total | | | | | |
| | 1,000 bales 3/ | 1,000 bales 3/ | 1,000 bales 3/ | 1,000 bales 3/ | 1,000 bales 3/ | 1,000 bales 3/ | 1,000 bales 3/ | 1,000 bales 3/ |
| | | | | American | | | | |
| Average 1934-38 | 7,191 | 2,162 | 9,353 | 12,504 | 21,857 | 6,316 | 5,453 | 11,769 |
| 1939 | 12,956 | 1,181 | 14,137 | 11,418 | 25,555 | 7,655 | 5,221 | 12,876 |
| 1940 | 10,469 | 2,073 | 12,542 | 12,305 | 24,847 | 9,576 | 2,291 | 11,867 |
| 1941 | 12,026 | 771 | 12,797 | 10,628 | 23,425 | 10,974 | 1,186 | 12,160 |
| 1942 | 10,505 | 660 | 11,165 | 12,604 | 23,769 | 10,930 | 1,313 | 12,243 |
| 1943 4/ | 10,569 | 817 | 11,386 | 11,161 | 22,547 | 9,829 | 1,250 | 11,079 |
| 1944 4/ | 10,626 | 792 | 11,418 | 12,100 | 23,518 | | | |
| | | | | Foreign | | | | |
| Average 1934-38 | 88 | 7,091 | 7,179 | 16,329 | 23,508 | 137 | 16,039 | 16,176 |
| 1939 | 77 | 7,424 | 7,501 | 15,908 | 23,409 | 129 | 15,481 | 15,610 |
| 1940 | 95 | 7,635 | 7,730 | 16,352 | 24,082 | 146 | 14,529 | 14,675 |
| 1941 | 140 | 9,167 | 9,307 | 15,493 | 24,800 | 196 | 13,100 | 13,296 |
| 1942 | 135 | 11,319 | 11,454 | 13,974 | 25,428 | 170 | 12,477 | 12,647 |
| 1943 4/ | 88 | 12,593 | 12,681 | 14,500 | 27,181 | 114 | 12,586 | 12,700 |
| 1944 4/ | 118 | 14,263 | 14,381 | | | | | |
| | | | | All kinds | | | | |
| Average 1934-38 | 7,279 | 9,253 | 16,532 | 28,833 | 45,365 | 6,453 | 21,492 | 27,945 |
| 1939 | 13,033 | 8,605 | 21,638 | 27,326 | 48,964 | 7,784 | 20,702 | 28,486 |
| 1940 | 10,564 | 9,708 | 20,272 | 28,657 | 48,929 | 9,722 | 16,820 | 26,542 |
| 1941 | 12,166 | 9,938 | 22,104 | 26,121 | 48,225 | 11,170 | 14,286 | 25,456 |
| 1942 | 10,640 | 11,979 | 22,619 | 26,578 | 49,197 | 11,100 | 13,790 | 24,890 |
| 1943 4/ | 10,657 | 13,410 | 24,067 | 25,661 | 49,728 | 9,943 | 13,836 | 23,778 |
| 1944 4/ | 10,744 | 15,055 | 25,799 | | | | | |

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1/ For annual data from 1920 see the October 1944 issue of The Cotton Situation.

2/ Excludes destroyed cotton.

3/ American in running bales (counting round bales as half bales) and foreign in bales of approximately 478 pounds, net weight.

4/ Preliminary and partly estimated.

Compiled from reports of the Bureau of the Census, the New York Cotton Exchange Service, the Commodity Credit Corporation, and estimates by the Department of Agriculture. This table revises and brings to date tables 2, 3, and 4 of the October Cotton Situation, and table 5 of the November Cotton Situation.

## Table 3.- STATISTICAL SUMMARY

| Item | Unit or base period | 1943 Nov. | 1944 Sept. | 1944 Oct. | 1944 Nov. | Pct. of year ago 1/ |
|---|---|---|---|---|---|---|
| Prices: | | | | | | |
| Middling 15/16-inch, 10 markets | Cent | 19.70 | 21.40 | 21.59 | 21.38 | 109 |
| Farm, United States | Cent | 19.40 | 21.02 | 21.25 | 20.78 | 107 |
| Parity | Cent | 20.58 | 21.08 | 21.08 | 21.20 | 103 |
| Farm, percentage of parity | Percent | 94 | 100 | 101 | 98 | 104 |
| Premium of 1-1/8-inch over basis 2/: | | | | | | |
| Memphis | Point | 488 | 430 | 426 | 425 | 87 |
| Carolina "B" mill area | Point | 666 | 605 | 625 | 625 | 94 |
| SxP, New England mill points 3/ | Cent | 49.56 | 51.50 | 51.00 | 51.75 | 104 |
| Cloth, 17 constructions | Cent | 40.62 | 42.44 | 42.44 | 42.44 | 104 |
| Mill margin (17 constructions) | Cent | 21.12 | 21.30 | 21.12 | 21.31 | 101 |
| Cottonseed, farm price | Dollar | 52.50 | 52.30 | 52.70 | 53.40 | 102 |
| Cottonseed, parity | Dollar | 37.40 | 38.30 | 38.30 | 38.60 | 103 |
| Cottonseed, farm, pct. of parity | Percent | 140 | 137 | 138 | 138 | 99 |
| Consumption: | | | | | | |
| All kinds during month, total | 1,000 bales | 858.9 | 793.1 | 795.4 | 836.5 | 97 |
| All kinds cumulative, total | 1,000 bales | 3,421 | 1,635 | 2,430 | 3,266 | 95 |
| All kinds per day, total | Bale | 39,948 | 38,687 | 36,569 | 38,909 | 97 |
| All kinds, annual rate | Million bales | 10.3 | 9.9 | 9.4 | 10.0 | 97 |
| American-Egyptian cotton, total | Bale | 3,559 | 3,349 | 3,487 | 3,561 | 100 |
| American-Egyptian, cumulative | Bale | 14,322 | 6,971 | 10,458 | 14,019 | 98 |
| Foreign cotton, total | Bale | 9,360 | 8,536 | 8,821 | 9,811 | 105 |
| Foreign cotton, cumulative | Bale | 39,308 | 17,988 | 26,809 | 36,620 | 93 |
| Spindle activity: | | | | | | |
| Spindles in place | Thousand | 23,340 | 23,198 | 23,139 | 23,127 | 99 |
| Active spindles | Thousand | 22,623 | 22,280 | 22,228 | 22,257 | 98 |
| Percentage active | Percent | 96.9 | 96.0 | 96.1 | 96.2 | 99 |
| Hours operated, total | Million | 10,17[illegible] | 9,381 | 9,487 | 9,707 | 95 |
| Hours per spindle in operation | Hour | 450 | 421 | 410 | 436 | 97 |
| Hours per day 4/ | Hour | 15.0 | 14.0 | 13.2 | 14.5 | [illegible] |
| Stocks, end of month: | | | | | | |
| Consuming establishments | 1,000 bales | 2,389 | 1,714 | 1,977 | 2,210 | |
| Public storage and compresses | 1,000 bales | 12,951 | 9,776 | 11,992 | 13,186 | |
| Total 5/ | 1,000 bales | 15,340 | 11,490 | 13,969 | 15,396 | 100 |
| Egyptian cotton, total 5/ | Bale | 62,201 | 54,253 | 46,968 | 43,044 | 69 |
| American-Egyptian cotton, total 5/ | Bale | 53,463 | 48,237 | 49,809 | 46,384 | 87 |
| Index numbers: | | | | | | |
| Cotton consumption | 1935-39 = 100 | 153 | 148 | 140 | 149 | 97 |
| Spindle activity 6/ | Percent | 125.3 | 122.3 | 117.4 | 120.6 | 96 |
| Prices paid, interest, and taxes | 1910-14 = 100 | 166 | 170 | 170 | 171 | 103 |
| Wholesale prices | 1910-14 = 100 | 150 | 152 | 152 | 152 | 101 |

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1/ Applies to last month for which data are available. 2/ Premiums for Middling 1-1/8-inch based on near active month futures at New York. 3/ SxP, No. 2, 1-1/2 inch, New England mill points. 4/ Total hours per spindle in operation divided by number of days in calendar month. 5/ Includes only stocks in mills and public storage and at compresses. 6/ Based on 5-day 80-hour per week operation.

Compiled from official sources.

39
40
41